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STATE AUDITOR OF MISSOURI
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**ANNUAL REPORT OF THE STATE AUDITOR
YEAR ENDED DECEMBER 31, 1987**

MARGARET KELLY, CPA



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STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

The People of Missouri
Governor John Ashcroft
and General Assembly of Missouri

Citizens of Missouri:

It is my pleasure to present to you the annual report of the State Auditor's Office for 1987. This report contains a listing of the 138 state, local government and disaster audit reports issued during the year as well as a listing of some of the major audit findings in those reports.

In my audits of state agencies alone, I found \$93,267,714 which should have been earned, saved or made available to the state. I reported another \$38,389,229 which had been misused or improperly spent.

The staff of the State Auditor's Office, to whom I am deeply grateful, joins me in expressing appreciation to the state and local officials who have worked with us in taking a business management approach to government operations in Missouri.

A handwritten signature in cursive script that reads "Margaret Kelly".

Margaret Kelly, CPA
State Auditor

The Missouri State Auditor's Office

The State Auditor's Office is Missouri's independent "watchdog" agency, charged with auditing all state agencies, boards and commissions and the state's third- and fourth-class counties. The state auditor may also be called on to audit local units of government by citizen petition. Audits are performed to determine if tax dollars are being spent efficiently, economically and legally, and to determine how well governmental units and agencies protect against fraud and abuse of the public funds under their control. Approximately 200 state agencies and programs, the state's circuit court system, and 94 third- and fourth-class counties must be audited by the state auditor regularly. Approximately 10 audits of local government entities, petitioned by local voters, are performed each year.

In addition to fulfilling the primary auditing duties of the office, the state auditor is charged with the design of accounting systems for state and local governments, approval of depositories selected by the state treasurer and serving as a member of the Board of Fund Commissioners and the State Records Commission. The state auditor also examines and registers all general obligation bonds issued by political subdivisions of the state to ensure that each one complies with state law.

The powers of the state auditor are constitutional, derived from Article IV, Section 13. Legal duties are detailed in Chapter 29 of the state statutes. Prior to the 1945 Constitution, the office held much broader powers, performing functions now controlled by the Department of Revenue and Office of Administration, in addition to post-audit duties.

Office Organization

The deputy state auditor works with the state auditor in developing office policies, supervising special projects and consulting with the various directors concerning the day-to-day operations of the office. Four directors aid the state auditor; three in charge of audit operations and one in charge of administration. The director of administration works with areas such as personnel recruiting, budget preparation and staff assignments. The audit directors supervise the work of audit managers in charge of auditing various aspects of government operations or government agencies and units, and review audit reports before the audits are delivered to the state auditor for final review and approval. One audit director oversees state agency audits, while a second directs audits of counties and other local governments. A third director oversees audit quality control. In addition to coordinating audits, audit managers also track changes in policies and laws affecting the agencies or areas of government for which they are responsible so the state auditor's office can revise audit plans or priorities as needed to ensure compliance.

Individual audits are supervised by an auditor-in-charge, who normally is a senior auditor. Audit fieldwork is performed by senior auditors, semi-seniors and audit assistants.

Approximately 150 people are employed by the State Auditor's Office. Approximately 120 serve on the auditing staff. C.P.A.s make up nearly 60 percent of the audit staff. That figure represents a marked increase from earlier years. By comparison, in 1974 only about 10 percent of the staff -- seven people -- were C.P.A.s.

The office hires only degreed accountants as auditors, recruiting on the campuses of Missouri colleges and universities which offer degrees in accounting. More than 90 percent of the staff are graduates of Missouri colleges and universities. Most are native Missourians. Audit staff members are hired on the basis of professional and academic qualifications only.

Types Of Audits

The State Auditor's Office performs financial and compliance audits, which also include reviews of management practices. Financial records of auditees are examined to determine how the funds under the auditee's control were actually spent. The systems and controls the auditee uses to protect funds and property against fraud, waste and abuse are checked. The auditee's compliance with constitutional provisions, laws, legislative appropriation levels and administrative rules are also reviewed. Management practices are reviewed for efficiency and accountability.

Completed audits contain a formal opinion (issued in accordance with the provisions of the American Institute of Certified Public Accountants) from the state auditor as to the reliability of the auditee's financial statements. A management advisory report listing any management weaknesses disclosed during the audit is also included. Findings and recommendations in the management advisory report are reviewed with the auditee at an exit meeting prior to the release of the audit so that responses from the auditee may be printed in the final report.

The state auditor performs special reviews and audits to study the economy and efficiency of selected programs or agencies, or the cost effectiveness of government programs. Some of these special reports focus on one specific program or agency, while others review government-wide handling of a program or need.

Following a 1983 attorney general's opinion, the State Auditor's Office assumed responsibility for auditing the circuit court systems of the state's 20 first- and second-class counties, the circuit courts of the city of St. Louis and approximately 390 municipal divisions. This broadened the duties of the office already charged with auditing the circuit courts of Missouri's 94 third- and fourth-class counties. Auditing of the additional circuit courts began in 1984.

Citizen Awareness Program

Information from citizens, legislators and government employees aids the state auditor when performing special reviews and audits.

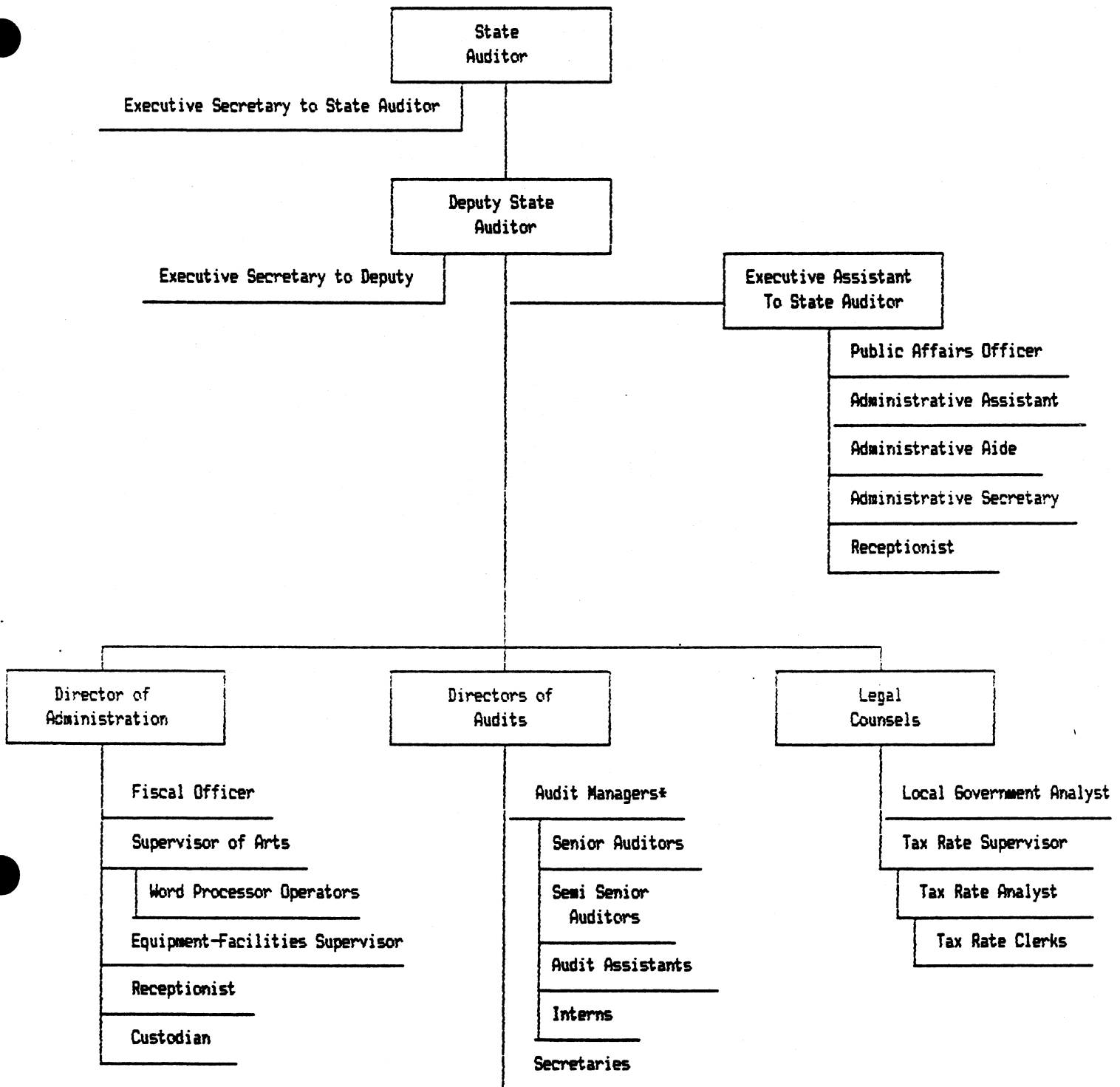
Citizens are urged to contact the state auditor if they have information they feel would be useful to auditors performing the audits. All sources of information are kept confidential.

The state auditor works closely with other audit agencies and offices at the local, state and national level. This is done to avoid duplication of effort in the audits of programs which may receive funding from several sources.

Public Information

All audit reports produced by the State Auditor's Office are public documents after the opinion letter has been signed by the state auditor. Reports dealing with state agencies are provided to the press corps covering the state Capitol and to any regional or local newspaper or broadcasting station requesting a copy. Audits dealing with county or local government are delivered to the media in that area. Reports are also delivered to the Missouri State Library and are available through the state's library system. Citizens may request copies of any audit report by writing P.O. Box 869, Jefferson City, MO 65102, or calling (314)/751-4213.

OFFICE OF STATE AUDITOR
ORGANIZATION CHART



* EDP Coordination

OFFICE OF STATE AUDITOR
AUDIT REPORTS DELIVERED
JANUARY 1, 1987, THROUGH DECEMBER 31, 1987

Report Number	Auditee	Date Delivered	Audit Period
87-01	Shannon County	01-29-87	12-31-85 (3Y)
87-02	Children's Trust Fund	02-09-87	06-30-86 (3Y)
87-03	Henry County R-14 School District (Montrose)	02-16-87	06-30-86 (2Y)
87-04	Nodaway County	02-19-87	12-31-85 (2Y)
87-05	Transportation Unit	02-23-87	06-30-85 (3Y)
87-06	Department of Highway and Transportation	02-24-87	06-30-85 (1Y)
87-07	Gasconade County	02-25-87	12-31-85 (2Y)
87-08	Camden County	02-26-87	12-31-85 (2Y)
87-09	Public Defender Commission	02-26-87	06-30-85 (3Y)
87-10	Estate Tax	02-27-87	06-30-86 (2Y)
87-11	Missouri Veterinary Medical Board Fund	02-27-87	06-30-86 (3Y)
87-12	Board of Architects, Professional Engineers and Land Surveyors	03-02-87	06-30-86 (3Y)
87-13	Washington County	03-04-87	12-31-85 (2Y)
87-14A	Division of Youth Services	03-04-87	06-30-84 (2Y)
87-14B	Division of Youth Services	03-04-87	06-30-85 (1Y)
87-15	Barton County	03-05-87	12-31-85 (2Y)
87-16	Office of Athletics	03-05-87	06-30-86 (3Y)
87-17	Albany Regional Center	03-06-87	06-30-85 (2Y)
87-18	Fifteenth Judicial Circuit (Lafayette County)	03-09-87	12-31-85 (2Y)
87-19	Velda Village Hills	03-18-87	03-31-86 (1Y)
87-20	City of Thayer	03-19-87	06-30-85 (1Y)
87-21	Board of Embalmers and Funeral Directors	03-24-87	06-30-87 (3Y)
87-22	Dade County	03-25-87	12-31-85 (2Y)
87-23	Vernon County	03-25-87	12-31-85 (2Y)
87-24	Scotland County	03-26-87	12-31-85 (2Y)
87-25	Madison County	03-26-87	12-31-85 (2Y)
87-26	Eighteenth Judicial Circuit (Pettis County)	03-27-87	12-31-85 (2Y)
87-27	Franklin County Circuit Court	03-30-87	12-31-85 (2Y)
87-28	Rolla Regional Center for the Developmentally Disabled	03-31-87	06-30-85 (2Y)
87-29	Moniteau County	04-01-87	12-31-85 (2Y)
87-30	Worth County	04-01-87	12-31-85 (2Y)
87-31	Division of Aging	04-02-87	06-30-85 (4Y)
87-32	Special Review of St. Louis County Fire Protection Districts	04-02-87	12-31-85 (1Y)
87-33	Twenty-Third Judicial Circuit (Jefferson County)	04-03-87	12-31-85 (2Y)
87-34	Twenty-First Judicial Circuit (Greene County)	04-07-87	12-31-85 (2Y)
87-35	Lottery Commission	04-07-87	-----
87-36	Motor Fuel/Special Fuel Tax Section	04-13-87	06-30-86 (3Y)
87-37	State Treasurer's Office	04-17-87	06-30-86 (1Y)
87-38	Corporate Franchise Tax	04-20-87	06-30-86 (2Y)
87-39	State Data Center	04-21-87	-----
87-40	Scott City	04-27-87	06-30-85 (1Y)
87-41	Special Review of Desegregation Payments to Kansas City Missouri School District	04-27-87	06-30-86 (1Y)
87-42	W-2s	05-13-87	12-31-86 (1Y)
87-43	Division of Credit Unions	05-14-87	06-30-86 (2Y)
87-44	Department of Conservation	05-27-87	06-30-85 (1Y)
87-45	Department of Corrections and Human Resources	05-29-87	06-30-85 (2Y)
87-46	Department of Labor and Industrial Relations	06-09-87	06-30-85 (3Y)
87-47	Administrative Law Judges	06-18-87	06-30-86 (2Y)

Report Number	Auditee	Date Delivered	Audit Period
87-48	Chiropractic Board	06-19-87	06-30-86 (2Y)
87-49	Clark Township	06-22-87	06-30-86 (1Y)
87-50	Board of Barbers	06-22-87	06-30-86 (3Y)
87-51	Highway Employees' and Highway Patrol Retirement System	06-22-87	06-30-86 (2Y)
87-52	Missouri State Council on the Arts	06-23-87	06-30-86 (2Y)
87-53	Twenty-Ninth Judicial Circuit (Jasper)	06-23-87	12-31-85 (3Y)
87-54	Division of Savings and Loan Supervision	06-24-87	06-30-86 (2Y)
87-55	Clark County	06-25-87	12-31-85 (2Y)
87-56	McDonald County	06-25-87	12-31-85 (2Y)
87-57	Office of Employment Agencies	06-26-87	06-30-86 (3Y)
87-58	Local Government Accounting and Auditing Guide	06-29-87	N/A
87-59	Missouri Corporation for Science and Technology	06-29-87	06-30-86 (2Y)
87-60	Division of Finance	06-29-87	06-30-86 (2Y)
87-61	Dent County	07-01-87	12-31-85 (2Y)
87-62	Ralls County	07-01-87	12-31-85 (2Y)
87-63	Linn County	07-02-87	12-31-85 (3Y)
87-64	Warren County	07-02-87	12-31-85 (2Y)
87-65	Climax Springs R-4 School District	07-06-87	06-30-86 (1Y)
87-66	Mercer County	07-08-87	12-31-85 (2Y)
87-67	Henry County	07-09-87	12-31-85 (2Y)
87-68	Department of Conservation	07-10-87	06-30-86 (1Y)
87-69	Tax Rate Review	07-14-87	12-31-86 (1Y)
87-70	Andrew County	07-15-87	12-31-85 (2Y)
87-71	City of Maryville	07-20-87	09-30-86 (1Y)
87-72	State Board of Cosmetology Fund	07-20-87	06-30-86 (2Y)
87-73	Board of Registration for the Healing Arts	07-20-87	06-30-86 (3Y)
87-74	Twenty-Second Judicial Circuit (St. Louis City Circuit Court)	07-27-87	06-30-86 (3Y)
87-75	State Milk Board	08-05-87	06-30-86 (1Y)
87-76	Twenty-Second Circuit - Municipal Divisions	08-12-87	04-30-86 (3Y)
87-77	Missouri State Medical Care Plan	08-13-87	06-30-86 (2Y)
87-78	Board of Pharmacy Fund	08-14-87	06-30-86 (3Y)
87-79	State Board of Optometry	08-14-87	06-30-86 (3Y)
87-80	MOSERS	08-17-87	06-30-86 (2Y)
87-81	State Board of Podiatry	08-18-87	06-30-86 (3Y)
87-82	Financial Institutions Tax Section	08-18-87	06-30-86 (3Y)
87-83	Division of Health	08-19-87	06-30-85 (3Y)
87-84	Ellis Fischel State Cancer Center	08-20-87	06-30-86 (2Y)
87-85	St. Louis State Hospital	08-25-87	06-30-85 (3Y)
87-86	Wayne County	09-01-87	12-31-85 (2Y)
87-87	Seventeenth Judicial Circuit, Municipal Divisions	09-03-87	1986 (3Y)
87-88	Real Estate Commission	09-04-87	06-30-86 (3Y)
87-89	Missouri Third and Fourth-Class Counties	09-08-87	1983-1986
87-90	State Board of Nursing Fund	09-08-87	06-30-86 (3Y)
87-91	Deferred Compensation	09-09-87	12-31-85 (2Y)
87-92	Departmental Administrative Services	09-11-87	06-30-86 (2Y)
87-93	City of Hannibal	09-14-87	06-30-86 (1Y)
87-94	Hancock Amendment	09-15-87	06-30-86 (1Y)
87-95	Eighteenth Judicial Circuit	09-16-87	1986 (3Y)
87-96	Ripley County	09-23-87	12-31-85 (2Y)
87-97	Supreme Court of Missouri	09-25-87	06-30-86 (2Y)
87-98	Dental Board	09-28-87	06-30-86 (3Y)
87-99	Village of Riverview	09-30-87	06-30-86 (1Y)

Report Number	Auditee	Date Delivered	Audit Period
87-100	City of Sweet Springs	10-19-87	03-31-86 (1Y)
87-101	Bellefontaine Habilitation Center	10-19-87	06-30-85 (2Y)
87-102	Special Review of Desegregation Payments to St. Louis City and County School Districts	10-20-87	06-30-87 (1Y)
87-103	Perry County	10-22-87	12-31-85 (2Y)
87-104	Kansas City Regional Center	10-23-87	06-30-85 (2Y)
87-105	Special Review of School Attendance Hours	10-26-87	06-30-87 (1Y)
87-106	Guaranty Student Loan	10-26-87	06-30-87 (1Y)
87-107	Moline Acres	10-28-87	12-31-85 (1Y)
87-108	Missouri Rehabilitation Center	10-30-87	06-30-86 (2Y)
87-109	City of St. Louis, Recorder of Deeds	11-02-87	04-30-87 (1Y)
87-110	Ray County	11-05-87	12-31-85 (2Y)
87-111	Division of Data Processing	11-05-87	N/A
87-112	St. Louis Regional Center	11-09-87	06-30-85 (2Y)
87-113	Division of Information Systems	11-12-87	N/A
87-114	Fulton State Hospital	11-13-87	06-30-85 (2Y)
87-115	Oregon County	11-18-87	12-31-85 (2Y)
87-116	Farmington State Hospital	11-20-87	06-30-86 (3Y)
87-117	Pulaski County	11-30-87	12-31-86 (2Y)
87-118	Platte County Circuit Court	12-02-87	12-31-86 (2Y)
87-119	Poplar Bluff Regional Center	12-04-87	06-30-86 (2Y)
87-120	Kirksville Regional Center	12-07-87	06-30-86 (2Y)
87-121	Thirteenth Judicial Circuit (Callaway County)	12-09-87	12-31-86 (2Y)
87-122	Thirteenth Judicial Circuit (Boone County)	12-09-87	12-31-86 (2Y)
87-123	City of Alton	12-10-87	06-30-87 (1Y)
87-124	City of St. Mary	12-15-87	12-31-86 (1Y)
87-125	Cass County Circuit Court	12-15-87	12-31-86 (2Y)
87-126	St. Joseph State Hospital	12-15-87	06-30-86 (2Y)
87-127	Division of Manpower Planning	12-16-87	06-30-85 (3Y)
87-128	Buchanan County Circuit Court	12-16-87	12-31-86 (2Y)
87-129	Highway and Insurance Plan	12-17-87	06-30-86 (2Y)
87-130	Missouri State Fair	12-21-87	06-30-86 (3Y)
87-131	Putnam County	12-21-87	12-31-85 (2Y)
87-132	Division of Medical Services	12-22-87	06-30-85 (4Y)
87-133	Board of Fund Commissioners	12-23-87	06-30-87 (3Y)
87-134	Howell County	12-29-87	12-31-85 (2Y)
87-135	State Agency for Surplus Property	12-29-87	06-30-86 (2Y)
87-136	Nevada State Hospital	12-30-87	06-30-86 (3Y)
87-137	Nevada Habilitation Center	12-30-87	06-30-86 (3Y)

NOTE: (1Y) - 1 year ended
(2Y) - 2 years ended
(3Y) - 3 years ended

OFFICE OF STATE AUDITOR
AUDIT REPORTS OF DISASTER CLAIMS DELIVERED
JANUARY 1, 1987, THROUGH DECEMBER 31, 1987

Report
Number

Auditee

Date
Delivered

Major Disaster Claim Submitted by:

D87-01

Knox County Courthouse, State of Missouri,
Project Application No. FEMA 713-DR 103

07-01-87

Audit Savings & Misuse Report
State Agency Audits Delivered in Calendar Year 1987

	Should Have Been Saved, Earned or Available for Use -----	Misused or Improperly Spent -----
1. Children's Trust Fund		\$50,755
2. Transportation Unit	\$88,750	
Transportation Unit		31,262
3. Department of Highway and Transportation	250,000	
Department of Highway and Transportation	222,000	
4. Public Defender Commission		30,782
5. Board of Architects, Professional Engineers, & Land Surveyors		5,900
Board of Architects, Professional Engineers, & Land Surveyors		32,484
6. Division of Youth Services		750,000
Division of Youth Services	41	2,439
7. Albany Regional Center	5,660	
8. Fifteenth Judicial Circuit, Lafayette County	2,330	
9. Eighteenth Judicial Circuit, Pettis County		397
10. Twentieth Judicial Circuit, Franklin County	4,400	
11. Rolla Regional Center		20,000
Rolla Regional Center	25,610	
Rolla Regional Center	3,000	
12. Division of Aging		279,668
Division of Aging		844,700
Division of Aging		200,774
Division of Aging	2,350	
Division of Aging	17,741	
Division of Aging		7,100
Division of Aging	25,900	
13. Twenty-third Judicial Circuit, Jefferson County	4,780	
Jefferson County		1,315
Jefferson County		2,298
14. Review of State Lottery Commission	5,542,932	
Lottery Commission	50,931	
Lottery Commission		157,800
Lottery Commission		87,228
Lottery Commission		1,655
Lottery Commission		9,439
Lottery Commission		3,617
Lottery Commission		325,000
Lottery Commission	18,269	
15. Motor Fuel/Special Fuel Tax Section	30,000	

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
	-----	-----
Motor Fuel/Special Fuel		
Tax Section	97,109	
16. State Treasurer's Office	15,000	
17. Corporate Franchise Tax Section		3,833
Corporate Franchise Tax Section		1,439
18. Review of State Desegregation		
Payments, Kansas City		76,591
Desegregation		481,832
Desegregation		305,595
Desegregation		1,035,578
Desegregation		607,517
Desegregation		34,108
Desegregation		87,315
Desegregation		15,071
19. Division of Credit Unions	10,256	
20. Department of Conservation		12,663
Department of Conservation	55,000	
21. Department of Corrections		1,240,200
Department of Corrections		432,000
Department of Corrections	54,694	
Department of Corrections	101,285	
Department of Corrections	4,157	
Department of Corrections	238,350	
Department of Corrections	63,052	
Department of Corrections	2,954	
Department of Corrections		2,662
Department of Corrections		3,325
Department of Corrections		421,131
22. Department of Labor and		
Industrial Relations		6,825
Department of Labor and		
Industrial Relations	12,941	
23. Twenty-ninth Judicial Circuit,		
Jasper County		5,367
24. Office of Employment Agencies	96,252	
25. Missouri Corporation for Science		
and Technology		27,300
Missouri Corporation for Science		
and Technology		2,551
26. Twenty-second Judicial Circuit,		
City of St. Louis	18,427	
City of St. Louis	25,000	
City of St. Louis		3,484,453
City of St. Louis		287,599
City of St. Louis	650,000	
City of St. Louis		1,868
City of St. Louis	1,000	
City of St. Louis	2,500	
City of St. Louis		15,000
27. State Milk Board	5,350	
28. MOSERS	8,700	
MOSERS		60,560

	Should Have Been Saved, Earned or Available for Use -----	Misused or Improperly Spent -----
29. DOR-Financial Institutions Tax Section		2,000
30. Department of Health	3,612	
Department of Health		7,638,690
Department of Health		150,000
Department of Health	1,356,293	
Department of Health	31,481	
Department of Health		2,256,109
Department of Health	93,759	
Department of Health	343,418	
Department of Health		5,920
31. Ellis Fischel State Cancer Center		40,392
Ellis Fischel		663,875
Ellis Fischel		101,000
Ellis Fischel	16,000	
Ellis Fischel	6,960	
32. St. Louis State Hospital	18,000,000	
St. Louis State Hospital	768,280	
St. Louis State Hospital	35,432	
St. Louis State Hospital	57,000	
St. Louis State Hospital	11,128	
St. Louis State Hospital	62,000	
St. Louis State Hospital		6,593
St. Louis State Hospital	5,000	
St. Louis State Hospital	12,599	
St. Louis State Hospital	32,000	
St. Louis State Hospital	5,418	
St. Louis State Hospital	108,000	
St. Louis State Hospital	191,000	
33. Supreme Court	87,000	
34. Bellefontaine Habilitation Center	4,000,000	
Bellefontaine	300,000	
Bellefontaine	5,398,000	
Bellefontaine		115,000
Bellefontaine	317,800	
Bellefontaine	3,600,000	
Bellefontaine		48,000
Bellefontaine	36,000	
Bellefontaine	8,200	
Bellefontaine		14,230
35. Review of State Desegregation Payments, St. Louis	192,258	
Desegregation		234,862
Desegregation		45,249
Desegregation		39,584
Desegregation		1,011
36. Kansas City Regional Center		3,672,480
Kansas City Regional Center		530,000
Kansas City Regional Center		48,666
Kansas City Regional Center		63,377

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
	-----	-----
Kansas City Regional Center	4,359	
Kansas City Regional Center		8,650
37. Missouri Rehabilitation Center	21,658	
38. St. Louis Regional Center	390,000	
St. Louis Regional Center		36,000
St. Louis Regional Center	2,694	
39. Fulton State Hospital	3,385,444	
Fulton State Hospital		1,290,640
Fulton State Hospital		22,000
Fulton State Hospital	6,332	
Fulton State Hospital	10,784	
Fulton State Hospital	32,059	
Fulton State Hospital	33,182	
Fulton State Hospital	360,773	
Fulton State Hospital	36,000	
Fulton State Hospital	159,394	
Fulton State Hospital		122,231
Fulton State Hospital		130,000
Fulton State Hospital		8,447
Fulton State Hospital		11,742
Fulton State Hospital		35,484
Fulton State Hospital		100,775
Fulton State Hospital	5,172	
40. Farmington State Hospital	56,878	
Farmington State Hospital	956,300	
Farmington State Hospital		24,950
Farmington State Hospital		1,020
Farmington State Hospital	109,824	
Farmington State Hospital		119,712
Farmington State Hospital	3,597	
Farmington State Hospital		81,896
Farmington State Hospital		1,206,227
41. Sixth Judicial Circuit, Platte County	35,546	
42. Poplar Bluff Regional Center	254,507	
Poplar Bluff Regional Center	1,537,103	
Poplar Bluff Regional Center	187,000	
Poplar Bluff Regional Center		2,329
43. Kirksville Regional Center	2,900	
44. Seventeenth Judicial Circuit, Cass County		8,907
45. St. Joseph State Hospital	654,063	
St. Joseph State Hospital	53,335	
St. Joseph State Hospital		28,629
St. Joseph State Hospital		19,995
St. Joseph State Hospital	181,048	
St. Joseph State Hospital	215,000	
St. Joseph State Hospital	89,856	
St. Joseph State Hospital	489	
St. Joseph State Hospital		152
St. Joseph State Hospital	85,000	
St. Joseph State Hospital	5,769	
St. Joseph State Hospital	62,897	
St. Joseph State Hospital	42,205	
St. Joseph State Hospital		21,034

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
	-----	-----
St. Joseph State Hospital	22,470	
St. Joseph State Hospital	28,715	
St. Joseph State Hospital	102,750	
St. Joseph State Hospital	8,916	
St. Joseph State Hospital	242,396	
St. Joseph State Hospital		15,755
46. Division of Manpower Planning		5,694,394
Division of Manpower Planning	47,769	
Division of Manpower Planning	36,243	
Division of Manpower Planning	1,822,146	
Division of Manpower Planning		1,950,000
47. Fifth Judicial Circuit, Buchanan County	3,245	
48. Missouri State Fair	2,000	
Missouri State Fair	2,675	
Missouri State Fair		54,580
49. Division of Medical Services	32,000,000	
Division of Medical Services	4,800,000	
50. State Agency for Surplus Property		39,946
51. Nevada State Hospital	8,530	
Nevada State Hospital	122,272	
Nevada State Hospital	8,460	
52. Nevada Habilitation Center	496,400	
Nevada Habilitation Center	635,000	
Nevada Habilitation Center	302,179	
Nevada Habilitation Center	30,218	
Nevada Habilitation Center	6,232	
Nevada Habilitation Center	558,000	
Nevada Habilitation Center	55,800	
Nevada Habilitation Center	71,644	
Nevada Habilitation Center	37,127	
Nevada Habilitation Center		168,301
Nevada Habilitation Center		4,399
Nevada Habilitation Center		7,000
	-----	-----
	\$93,267,714	\$38,389,229
	=====	=====
Grand Total	\$131,656,943	
	=====	

Summary Explanations for State Agency
Audit Savings and Misuse Report

1. \$50,755 Department of Social Services, Children's Trust Fund, three years ended June 30, 1986. The fund awarded this amount to 15 local agencies during 1985 without obtaining competitive bids. Written contracts were not used and funds were distributed in one lump-sum payment.

- 2a. \$88,750 Department of Highway and Transportation, Transportation Unit, three years ended June 30, 1985. The Transportation Unit owes the state General Revenue Fund at least \$88,750. Although the funds were represented by the department as surplus federal funds, the money was generated by state expenditures and is due back to the state as reimbursements for those expenditures. About \$78,832 in excess monies accumulated over the years when the Transportation Unit's Federal Fund was short on cash to pay the federal share of program charges. In those cases, money from the state General Revenue Fund was used to pay a disproportionate share of the costs. Federal reimbursements for those costs were then kept by the Transportation Unit. Another \$9,918 in excess cash came from airport inspection contracts with the Federal Aviation Administration.

- b. \$31,262 In administering federal grants, the agency has allowed subgrantees to make some procurements directly. Mrs. Kelly questioned costs of \$31,262 since documentation was not available to show the subgrantees had followed state and federal procurement standards, such as competitive bidding. The federal share of questioned costs was \$25,010, an amount which the state might be obligated to repay to the federal government if the federal government chooses to recover the questioned costs.

- 3a. \$250,000 Department of Highway and Transportation, year ended June 30, 1985. The department, which is subsidizing credit unions for its employees by providing state-paid workers, office space, equipment, supplies and utilities, is violating the state constitution by granting this public money to a private association. The department has conceded that it is financing the operations of the credit unions by approximately \$250,000 annually, although the state auditor's estimates show the amount to be substantially higher.

- b. \$222,000 The department could have earned \$222,000 per year in additional interest income during the audit period by modifying some of its slow-moving federal construction and resurfacing projects rather than starting new projects.

- 4a. \$30,782 Public Defender Commission, three years ended June 30, 1985. This amount represents the total items purchased without adequate documentation of bids. Included are 40

arm chairs, other office furniture and equipment, and an annual office space lease.

- b. \$5,900 This amount represents the additional cost to the state, and more specifically, to the State Public Defender Program, of providing a leased vehicle for the personal benefit of the director between January 1983 and January 1985. (Section 301.260.1 RSMO prohibits such personal usage.)
- 5. \$32,484 Board of Architects, Professional Engineers and Land Surveyors, three years ended June 30, 1986. The board paid a Kansas City law firm \$299,738 for services in connection with the Hyatt Regency disaster. This fee included reimbursements of incidental costs of \$32,484. The reimbursement was not required in the contract with the law firm.
- 6a. \$750,000 Department of Social Services, Division of Youth Services and Auxiliary Funds, three years ended June 30, 1985. In July 1983, the state purchased Laurel Haven, an improved tract of real estate, in St. Louis for a youth facility. The purchase price of \$750,000 was \$125,000 more than the appraised market value. The state has never used the facility because it was suspected to be a potential dioxin site. In May 1984, the Environmental Protection Agency reported no dioxin was found at Laurel Haven. Over the years Laurel Haven has deteriorated and needs significant repairs; yet the state has not actively tried to use or otherwise dispose of the property, and a substantial investment by the state has simply gone to waste.
- b. \$2,480 The DYS youth facilities did not follow state purchasing procedures. In testing a sample of purchases, Mrs. Kelly noted \$2,439 of improper purchases. In another sample, four items were discovered which were available at a total savings of \$41 from the state prison industry.
- 7. \$5,660 Department of Mental Health, Albany Regional Center for the Developmentally Disabled and Auxiliary Funds, two years ended June 30, 1985. This amount was paid in error to a placement facility but the regional center did not follow up on its recovery. Although Albany Regional Center requested a refund of the money in March 1984, no additional refund request was made until October 1985, when the state auditor brought the matter to the attention of officials at the regional center.
- 8. \$2,330 Fifteenth Judicial Circuit, Lafayette County, two years ended December 31, 1985. Mrs. Kelly recommended the court turn over interest income on its investments, a total of \$2,330, to the county General Revenue Fund as required by law.
- 9. \$397 Eighteenth Judicial Circuit, Pettis County, two years ended December 31, 1985. Interest earned on the court's

bond checking account was disbursed in 1984 and 1985 for photo framing for the courtroom of \$397. Interest income not spent in accordance with statutes should be turned over to the state General Revenue Fund.

10. \$4,400 Twentieth Judicial Circuit, Franklin County, two years ended December 31, 1985. The circuit clerk did not deposit funds in interest-bearing accounts. The state auditor estimated that approximately \$4,400 in potential interest income could have been earned during 1985. The large balances in the bank accounts should be examined and any long-term idle cash should be invested to maximize interest income, Mrs. Kelly said.
- 11a. \$20,000 Department of Mental Health, Rolla Regional Center for the Developmentally Disabled and Auxiliary Funds, two years ended June 30, 1985. The facility spent \$20,000 to purchase and install a range hood even though all inpatient beds were being eliminated. The kitchen is no longer used.
- b. \$25,610 Regional Center officials signed a sixty-month lease-purchase agreement for a telephone system. Total payments during the lease term will be \$50,610. This results in a 32% interest rate. The system could have been purchased outright for \$25,000, the state auditor said.
- c. \$3,000 The facility leased a copy machine for \$8,300 per year. This included a full-service maintenance agreement. Similar machines were on statewide contract with a full-service maintenance agreement for \$3,000 to \$4,000 less per year.
- 12a. \$279,668 Department of Social Services, Division of Aging, four years ended June 30, 1985. The state auditor questioned \$279,668 of in-kind services because the costs were not verifiable in the accounting records in accordance with federal regulations.
- b. \$844,700 The agency exceeded its budget for in-home services in 1981, 1984, and 1985, and charged a total of \$844,700 to the subsequent years' appropriations.
- c. \$200,774 The agency improperly paid several employees' salaries who worked for other divisions within the Department of Social Services during fiscal years 1982 through 1985.
- d. \$2,350 The agency refunded \$2,350 to applicants who did not take the nursing home administrator examination. According to state law, the examination fee is nonrefundable.
- e. \$17,741 The agency failed to seek reimbursement from a federal grant for \$17,741 of project costs related to research regarding the feasibility of developing a coordinated system of home-based care for the impaired elderly as an alternative to institutional care.

- f. \$7,100 The Division of Aging illegally opened a bank account outside the state treasury. The bank account circumvented controls of the state accounting system. The agency intended to use the bank account to fund the Governor's Conference on Aging, collecting \$7,100 for registration fees.
- g. \$25,900 The agency allowed most individuals to attend the Governor's Conference on Aging free of charge. As a result, the state paid the remainder of the total costs of more than \$33,000 (see above). The Division of Aging originally planned for the conference to pay for itself through registration fees and corporate donations.
- 13a. \$4,780 Twenty-Third Judicial Circuit, Jefferson County, two years ended December 31, 1985. The associate circuit divisions lost potential interest income totaling approximately \$4,300 by not depositing monies in interest-bearing accounts. Similar circumstances in the probate division resulted in a loss of \$480. The interest income could have been used for allowable expenditures or turned over to the county's General Revenue Fund, Mrs. Kelly said.
- b. \$1,315 Juveniles charged with damaging an individual's property are required to make restitution to the juvenile officer, who deposits the money in the restitution account and writes a check to the person whose property was damaged. During 1985, 14 disbursements totaling \$1,315 were made from the restitution account to pay for conferences and motel bills related to juvenile office operations. These expenditures indicate that funds are being expended for unintended purposes, the state auditor said.
- c. \$2,298 Law library funds were sometimes used to purchase law books for circuit judges. During 1984, more than \$2,298 of law books had been purchased for three judges. Since these books were also in the county law library, Mrs. Kelly found it unnecessary to purchase duplicate copies for private offices unless authorization is given for use of general revenue funds.
- 14a. \$5,542,932 Department of Revenue, Review of State Lottery Commission. Mrs. Kelly said the Lottery should transfer \$5.5 million to the state's general operating funds account. Legislation creating the Lottery allowed the agency to retain all money from the sale of Lottery tickets for the first year of operation, later set at June 10, 1986. However, in an instant game called "Sky's the Limit," which began June 14, 1986, Lottery officials did not pay the state's 45 percent share on approximately \$10.3 million of those ticket sales as required by law. Forty-five percent of the revenues would have been \$4,653,248. A second instant game with estimated ticket sales of \$1.9 million should have provided the state with \$889,684.

- b. \$50,931 The commission had 42 nonsufficient funds checks from retailers totaling \$50,931 outstanding on June 30, 1986. The checks were an average of 83 days old. Collection policies, as specified by regulations, should be followed to ensure collection of state funds, Mrs. Kelly said.
- c. \$157,800 Had the weekly jackpot been calculated on a consistent basis according to the number of entry tickets received, the jackpot amounts awarded would have potentially totaled \$15,778,878 instead of \$15,621,078, Mrs. Kelly said. However, three different methods of calculation were used.
- d. \$87,228 The jackpot reserve balance was understated by a total of \$87,228. For one week, the number of entry tickets used to calculate sales when determining the jackpot amount was understated by 1,000 entry tickets. This caused the jackpot reserve to be understated by \$11,250. Another instance involving inconsistent sales estimation resulted in an understatement of \$70,864. The remaining \$5,114 was due to the estimated number of entry tickets being adjusted for entry tickets sold but not forwarded to the commission by the public.
- e. \$1,655 Many invoices for Lottery expenditures either lacked approval by a division director or were not adequately reviewed before being approved by a division director. An invoice for travel services was overpaid by \$1,655. Mrs. Kelly recommended an adequate review of the invoice before approval by the division director. She noted that a review could have prevented this overpayment.
- f. \$9,439 The Lottery paid \$9,439 more than necessary by purchasing rubber stamps for \$2.72 each when the stamps were available on state contract for \$1.30.
- g. \$3,617 Temporary clerical services were purchased at a cost higher than that available on a statewide contract from the Office of Administration, resulting in additional costs of \$3,617.
- h. \$325,000 Goods and services of about \$325,000, including a consulting contract, media training for personnel, building rentals, guard services, janitorial services and a research contract, were not properly bid.
- i. \$18,269 Independent retailers who sell instant game tickets generally remit payments when their Lottery sales representative makes the weekly delivery of additional tickets. Time lags of two to 22 days existed between the date of receipt by the sales representative and deposit of that receipt with the Department of Revenue. Not only do these time lags increase the possibility of loss or misappropriation of funds, the commission also loses potential interest income, Auditor Kelly said. During the months of March and June 1986, an estimated \$18,269 in interest revenue was lost.

- 15a. \$30,000 Department of Revenue, Division of Taxation, Motor Fuel/Special Fuel Tax Section, three years ended June 30, 1986. The County Tax Section of the Division of Taxation prepares the necessary warrant requests to distribute the cities' and counties' allocation of the Motor Fuel Tax Fund receipts. Distributions to the cities and counties are charged against appropriations from the Motor Fuel Tax Fund and County Aid Road Trust Fund. Approximately \$30,000 was transferred to the County Aid Road Trust Fund in June 1984 and the County Tax Section was not aware of its availability for distribution to the counties until October 1984. The funds should have been identified and distributed earlier, Mrs. Kelly said.
- b. 97,109 All special fuel dealers and users are required to file a surety bond with the Department of Revenue. The purpose of the bond is to provide the state with some assurance that dealers and users will properly remit special fuel taxes on a timely basis. All interest earned should be added to the bond principal. However, interest was computed only on the original bond principal, while interest was earned on the reinvested interest as well as the original bond principal. In addition, interest was calculated using the rate of five percent although the bonds were generally invested in certificates of deposit which earned up to 11.2 percent. As a result of these practices, unallocated interest at June 30, 1986 totaled \$97,109.
16. \$15,000 State Treasurer's Office, year ended June 30, 1986. Missouri's treasurer apparently violated the state constitution by giving his employees bonuses totaling \$15,000 in 1986. The state auditor recommended that the treasurer grant salary adjustments only as authorized through the legislative appropriation process. She also recommended the treasurer repay the state for the bonuses. Twenty-nine employees of the State Treasurer's Office received \$500 each, and two employees received \$250 each, in July 1986.
- 17a. \$3,833 Department of Revenue, Division of Taxation, Corporate Franchise Tax Section, two years ended June 30, 1986. The state auditor reviewed a test sample of 36 cases and found six cases where corporations were underpaid interest on corporate franchise tax refunds during fiscal years 1985 and 1986. The underpayments totaled \$3,833. Mrs. Kelly noted that the nature of the computer programming error which may have led to the mistakes, may also have caused other corporations to have been underpaid, also.
- b. \$1,439 Mrs. Kelly noted that several duplicate refunds totaling \$1,439 had been made to corporations during the audit period. The department should bill the applicable corporations for the duplicate refunds, she said.

- 18a. \$76,591 Special Review of Desegregation Payments to Kansas City Missouri School District, year ended June 30, 1986. The state auditor's review of the effective schools program indicated the school district ignored the court-ordered funding formula. For example, schools with a black enrollment of less than 90 percent were to receive allocations of \$50,000 each, according to the court order. Eight of those 43 schools exceeded the \$50,000 limit by a total of \$76,591.
- b. \$481,832 The district spent effective schools program money for administration. The court-ordered funding formula did not authorize money for administration, only for schools.
- c. \$305,595 Schools were allocated money near the end of the fiscal year. The schools had only three days to spend the money. Apparently, Mrs. Kelly said, the purchases were made simply to avoid losing the available desegregation funds. The equipment that was purchased included 57 television sets and 37 VCRs. With only three days to plan purchases, the state auditor was not assured that the money was well-spent.
- d. \$1,035,578 The district used money to pay teachers already employed instead of hiring additional teachers to reduce class sizes. The district was ordered by the court to hire more than 40 teachers but employed only three.
- e. \$607,517 The district did not use proper purchasing procedures for several projects. For example, the district used \$286,550 of desegregation money to re-roof an elementary school without requesting bids. Another \$210,035 was used for installation of modular classrooms without bidding or proper planning. In addition, the district employed an asbestos abatement consultant and contractor for \$110,932, again without necessary bids.
- f. \$34,108 The school district issued revenue bonds to obtain its portion of court-ordered desegregation capital improvement costs. School officials charged bond issuance legal costs and accounting services to desegregation funds, requiring the state to pay a portion of the district's costs.
- g. \$87,315 The district hired more full-time specialty teachers in the AAA classification program than authorized by the court.
- h. \$15,071 The district purchased equipment of questionable value to the desegregation program from the effective school budget. Purchases included 11 presses used to laminate documents and seven counter-top refrigerators.
19. \$10,256 Department of Economic Development, Division of Credit Unions, two years ended June 30, 1986. The Division of Credit Unions is responsible for assessing state-chartered credit unions for the expense of all

examinations, as well as the expense of administering the laws pertaining to credit unions. An annual fee is to be paid by each credit union based on its total assets. Total annual fees were not compared to estimated expenses. As a result, actual expenses exceeded amounts collected by \$8,811 and \$1,445 for the years ended June 30, 1986 and 1985, respectively.

20a. \$12,663

Department of Conservation, year ended June 30, 1985. The state auditor questioned costs totaling \$12,663 during fiscal year 1985. The costs were related to inadequate time records and unauthorized charges against federal grants.

b. \$55,000

In a review of the department's spending of federal funds, Mrs. Kelly said the state lost approximately \$55,000 in potential interest revenues because conservation officials failed to file timely claims for federal reimbursements relating to statewide hunting and fishing access points.

21a. \$1,240,200

Department of Corrections and Human Resources, two years ended June 30, 1985. During fiscal years 1984 and 1985, the department incurred obligations which could not be met from the department's operating appropriations. Overspent funds for the years ended June 30, 1985 and 1984, were approximately \$304,700 and \$935,500, respectively. The obligations were paid out of the subsequent fiscal year's appropriations.

b. \$432,000

Personal services expenditures examined by auditors indicated the salaries of correctional officers working at one institution were being paid from three other institutions' appropriations. During the audit period, approximately \$432,000 was paid out of Missouri Correctional Center, Algoa Correctional Center and Division of Classification and Assignment appropriations for Missouri State Penitentiary costs.

c. \$54,694

Accounts for federal grants are maintained by the department's Fiscal Management Section. All monies in excess of the \$20,000 "seed," which is to be maintained as provided for by the General Assembly, are to be transferred to the General Revenue Fund. In January 1986, the balance had been increased to \$74,694.

d. \$101,285

The state auditor recommended the department consult with the attorney general regarding possible legal action against a school district for recovery of \$101,285 the department paid for expenses related to vocational education classes from 1984-86. The money was described as "initial program expenses" by the school, although neither the school district nor the department could explain why start-up expenses were necessary, particularly after the first year of operation. The "initial program expense" payments were \$24,163 in fiscal year 1984, \$26,927 in fiscal year 1985, and \$50,195 in fiscal year 1986.

- e. \$4,157 The Office of Administration, Division of Personnel moved to the Truman State Office Building and left unwanted property items at its former location. In December 1983 the Division of Personnel transferred the property to the department's Division of Probation and Parole (DPP). Between July and September 1984, new office furnishings costing \$4,157 were delivered to the Division of Personnel but paid from appropriations of the Department of Corrections. This was apparently to repay the Office of Administration for the excess property items previously transferred. However, the purchase of furniture for another agency was not the intent of the appropriation by the general assembly. Proper procedures regarding surplus property should have been followed, Mrs. Kelly said.
- f. \$238,350 In May and June 1984, approximately \$49,000 in computer equipment was purchased and placed in the department's warehouse. In addition, \$189,350 of computer software was purchased in July 1985. In January 1986, auditors found most of the equipment still stored in its original packaging in the warehouse. Mrs. Kelly noted that the year-end purchases indicate that the expenditures may have been made to use up remaining appropriations. She also pointed out that the equipment should not have been stored under the existing warehouse conditions for a long period of time. As a further concern, the state auditor stated that computer industry technology and prices are rapidly changing. The equipment may already be outdated and might have been acquired when needed at a lower cost, she added. Following the auditors' initial visit to the warehouse, the equipment was moved, but poor records gave no indication of the new location.
- g. \$63,052 A severe waste disposal problem continues to affect the Central Missouri Correctional Center Dairy and Farming Operation. A flush system was purchased and installation began in May 1985. Although the \$63,052 system has been substantially completed, the department stated that no further expenditures would be made because of their decision to "redirect" the farming operations.
- h. \$2,954 The department had a contract to sell scrap metal from the Missouri State Penitentiary metal products factory to a local salvage company. The salvage company was required to pay for scrap metal received based on its weight. Mrs. Kelly reported that on March 13, 1986, the salvage company had not paid for ten reported loads of scrap metal received from the MSP between January 23, 1985, and March 13, 1986, as required by the contract. According to the state auditor's calculations, the company owed the department \$2,954.
- i. \$2,662 The department operates inmate canteens for the benefit of inmates at most correctional institutions. Each institution has a canteen committee to establish pricing

guidelines, determine what is to be sold, budget inmate benefit expenditures, and act as a policy decision-making body for the operation of the canteens. Auditor Kelly noted purchases of fixed assets such as a freezer at the Missouri State Penitentiary and a microwave oven at the Missouri Eastern Correctional Center, at a total cost of \$2,662, without any documented approval of the purchase recorded in applicable canteen committee minutes.

- j. \$3,325 Auditors discovered that in May 1985 the Missouri State Penitentiary canteen purchased seven cash registers costing \$3,325. The manager apparently telephoned two local vendors for bids, and then selected the successful bidder. Mrs. Kelly recommended that purchasing procedures which comply with state law be established for each of the canteen sites.
- k. \$421,131 Canteen employees consist primarily of civilian workers along with some inmate workers. Canteen employees' salaries and related fringe benefits are currently paid from the state General Revenue Fund. Annualized salaries and related fringe benefits for civilian canteen employees totaled \$421,131 for the years ended June 30, 1985. The Canteen Fund does not reimburse the state for payroll and fringe benefit costs. Mrs. Kelly recommended the department take steps to place the canteen operations on a self-sustaining basis.
- 22a. \$6,825 Department of Labor and Industrial Relations, three years ended June 30, 1985. Mrs. Kelly reported five legal advisors employed by the Division of Worker's Compensation were overpaid wages totaling \$6,825 in fiscal year 1984. The salaries of legal advisors are set by statute, and the agency should seek reimbursement from the advisors, she said.
- b. \$12,941 The federal government provides a fixed percentage of the cost of the Division of Labor Standards federal programs as reimbursements to the state for the federal share of the expenditures. The General Revenue Fund provides the remaining portion or "match." As of June 30, 1985, an overmatch of federal fund expenditures totaling \$12,941 existed which had not been paid back to the General Revenue Fund.
- 23. \$5,367 Twenty-ninth Judicial Circuit, Jasper County, three years ended December 31, 1985. The law library custodian and a county courthouse janitor received payments totaling \$5,367 for services they provided during the audit period. Documentation of agreements establishing fee guidelines and time sheets supporting hours worked did not exist in either case.
- 24. \$96,252 Department of Economic Development, Office of Employment Agencies, three years ended June 30, 1986. Mrs. Kelly observed that registration fees set by statute do not cover cost of regulating employment agencies, resulting in state taxpayers paying the difference.

- 25a. \$27,300 Department of Economic Development, Missouri Corporation for Science and Technology (MCST), two years ended June 30, 1986. The MCST is subsidized extensively by the Missouri Department of Economic Development, although there are no direct appropriations. As the MCST is a private non-profit organization, such donations may violate the Missouri Constitution, the state auditor said.
- b. \$2,551 The MCST reimburses employees' expenses without requiring documentation of actual expenses. For example, Mrs. Kelly noted one reimbursement for travel expenses of \$2,551 for an employee to drive to and from his home in Texas. She recommended the MCST establish limits and require documentation for reimbursable expenses.
- 26a. \$18,427 Twenty-Second Judicial Circuit, City of St. Louis, three years ended June 30, 1986. Interest in the amount of \$18,427 earned on the refund account during the audit period had been retained in the account. State law requires that the money, if not used (in accordance with Section 483.310 RSMO 1986) for certain allowable uses, should be paid into the city's General Revenue Fund.
- b. \$25,000 Monies in the Victims of Domestic Violence (DVC) account were inconsistently handled, Mrs. Kelly said. It appears the original intent was that all of the fees collected would be deposited in this account and then be paid to the city as required. However, fees collected were deposited in the refund account. It is not clear if all funds were transferred to the DVC account and then paid, or if some money is still due to the city. At the end of the audit fieldwork, the DVC account was still open and approximately \$25,000 remained in it.
- c. \$3,484,453 Investments held in trust by the court in certificates of deposit were transferred into two mutual funds in 1985 and 1986. By investing in mutual funds, the circuit clerk not only violated state law, but also put the investment principal at risk in an attempt to earn more income, the state auditor commented.
- d. \$287,599 No documentation of bids was retained by the circuit clerk for purchases of \$287,599 during the audit period. The expenditures were for printing, supplies and equipment.
- e. \$650,000 Mrs. Kelly noted that the city of St. Louis may be due approximately \$650,000 in interest earned on the circuit clerk's investments and remaining in the circuit clerk's special interest account at June 30, 1986. State law says any interest monies not being used to purchase allowable items for the circuit division should be paid into the city's General Revenue Fund.

- f. \$1,868 Various bank charges totaling \$1,868 were made against the child support bank accounts. The majority of these charges resulted when bank accounts were closed and re-opened in another bank. Because all the money received is due to be paid out, the bank charges resulted in shortages in the child support accounts.
- g. \$1,000 The circuit clerk submits reimbursement claims for Title IV-D program costs to the Child Support Enforcement Unit, Division of Family Services. This \$1,000 amount represents possible additional Title IV-D reimbursements that would be available if the rate at which copy machine expense and data processing expense are allocated based on the ratio of case load.
- h. \$2,500 The Probate Division does not deposit monies in interest-bearing accounts. The state auditor estimated that \$2,500 could have been earned in fiscal year 1986 alone had the monies been placed in an interest-bearing account.
- i. \$15,000 The Law Library Fund has separate accounting systems and bank accounts for the free library and membership library. During the two years ended September 30, 1985, the free library transferred \$15,000 to the membership library to pay for the estimated cost of a new cooling tower for the library's air conditioning system. Actual costs for the project were only \$7,000. The remaining \$8,000 was transferred with no documentation. The portion of the transfer which is in excess of the free library's allocated share of the expense should be refunded to that account, Auditor Kelly said.
27. \$5,350 Department of Agriculture, State Milk Board, year ended June 30, 1986. The board overpaid one of its Grade A milk inspectors \$5,350 for fiscal year 1986 because the board did not make a year-end check of the actual volume of milk inspected compared to the volume it was charged to inspect, Mrs. Kelly said.
- 28a. \$8,700 Missouri State Employees Retirement System, two years ended June 30, 1986. The state auditor recommended the board remove MOSERS land and its newer building from the MOSERS investment portfolio, where the cost of the new building had been reported as an investment rather than a fixed asset. By including the land and building in the real estate portfolio, MOSERS allowed its former real estate money manager to collect approximately \$8,700 annually in additional fees. The fees were based on the market value of real estate in the portfolio.
- b. \$60,560 Mrs. Kelly noted several excessive remodeling expenses incurred during the 1985 remodeling of the system's two buildings. She cited \$25,655 spent for a conference table and chairs; \$14,015 for office furniture and accessories for the offices of the executive director and

assistant executive director; \$5,265 for parquet flooring; and \$15,625 for 706 square yards of carpet. The board of trustees allowed the remodeling expenditures to be handled by the board's former real estate manager without monitoring by the board.

29. \$2,000 Department of Revenue, Division of Taxation, Financial Institutions Tax Section, three years ended June 30, 1986. Financial institutions are required to file tax returns with the director of revenue. The Financial Institutions Tax Section examines the return, calculates the amount of tax, and compares that calculation with the amount remitted. If additional taxes are due, interest will also be due and is calculated at rates specified by the institution's applicable statutes. One interest calculation was incorrect by more than \$2,000. Only 21 percent of a sample examined by the state auditor could be adequately verified. She said that proper procedures for calculating interest are needed to ensure correct billing and assessment notices.
- 30a. \$3,612 Department of Social Services, Division of Health, three years ended June 30, 1985. The Division of Health (DOH) failed to bill laboratory test fees in this amount.
- b. \$7,638,690 This amount was paid during the audit period to local health agencies, although there was no documentation to support that the fixed contract amounts were reasonable for the services provided. The state auditor said the agency needs to review the funding methodology used for this program and make a written determination of the reasonableness of prices paid for services rendered to ensure state dollars are spent efficiently and effectively.
- c. \$150,000 Mrs. Kelly questioned \$150,000 charged to a federal grant program because the expense was not supported by adequate documentation.
- d. \$1,356,293 When the federal government reimburses the Division of Health for costs originally incurred by the state's General Revenue Fund, the DOH should then reimburse the state. This procedure allowed the DOH to overspend federal grant projects by \$514,493. In addition, a discretionary balance of \$841,800 in the DOH fund as of June 30, 1985, had accumulated at the expense of the General Revenue Fund.
- e. \$31,481 DOH should deposit cost reimbursements in the same fund that originally incurred the expenditures. The state auditor identified this amount as funds due to the state's General Revenue Fund at June 30, 1985.
- f. \$2,256,109 The DOH exceeded its budget for certain medical services during some years of the audit period. As a result, \$2,256,109 was charged to subsequent years' appropriations.

- g. \$93,759 The DOH made prepayments to vendors under the hemophilia treatment program to avoid lapsing money back to the state's General Revenue Fund during 1985, 1984, and 1983.
- h. \$343,418 The DOH deposited crippled children's services refunds into the Crippled Children's Services Fund instead of reimbursing the state's General Revenue Fund--the fund that originally incurred the expenditures.
- i. \$5,920 DOH does not require its employees to document the purpose of telephone credit card calls. During May and June 1985 alone, \$5,920 of calls were made without adequate documentation.
- 31a. \$40,392 Ellis Fischel State Cancer Center, two years ended June 30, 1986. In a test of 28 purchases, Mrs. Kelly found six purchases totaling \$40,392 that did not fully comply with established purchasing procedures or lacked documentation.
- b. \$663,875 Ellis Fischel State Cancer Center awarded contracts totaling \$663,875 to the sole bidder on several cancer detection and research projects. The requests for proposal (RFP) may have adversely affected the bidding process by combining all of the projects in one RFP, Mrs. Kelly said.
- c. \$101,000 Ellis Fischel State Cancer Center awarded contracts of \$101,000 to the Ellis Fischel Trust Fund, Inc., a non-profit corporation. One contract was issued on a sole-source basis and the other three contract files contained no documentation to support the advertisement and solicitation of bids from the general public. The state auditor also noted the potential for violation of state conflict of interest laws since both parties to the contract are governed by the State Cancer Commission and the director of the center serves as the registered agent and deputy treasurer of the trust fund.
- d. \$16,000 Eleven donations made payable to the center were improperly deposited into accounts of the trust fund (see above). This violated state statutes and diverted state funds from the state treasury, Mrs. Kelly said.
- e. \$6,960 Cafeteria meal prices were not adequate to cover direct costs of providing meals, primarily to employees. Cafeteria operations lost \$6,960 in 1985.
- 32a. \$18,000,000 Department of Mental Health, St. Louis State Hospital and Auxiliary Funds, three years ended June 30, 1985. St. Louis State Hospital could have saved up to \$18 million during the audit period had officials placed 200-plus long-term, chronic care patients in private community facilities providing the appropriate level of care (as determined by the hospital), but with lower treatment costs, Auditor Kelly said.

- b. \$768,280 This amount was spent on west wing capital improvements although current and previous plans were to demolish the same wing.
- c. \$35,432 During the year ended June 30, 1984, the director of community placement improperly spent \$35,432 by circumventing normal controls over placement contracts in hiring various individuals including his spouse.
- d. \$57,000 During fiscal year 1984, a community placement vendor was paid more than \$57,000 before Department of Mental Health clients began to receive services.
- e. \$11,128 In June 1984, St. Louis State Hospital donated \$11,128 of clothing inventory to the Salvation Army in violation of Article VI, Sections 23 and 25 of the Missouri Constitution.
- f. \$62,000 Based on financial ability to pay, certain court-committed patients refused to pay for cost of care in the amount of \$62,000 as of October 24, 1985. The hospital did not pursue collection of these amounts.
- g. \$6,593 During the audit period, \$6,593 worth of tobacco was purchased for patients from the state General Revenue Fund. The purchase should have been made from the Mental Health Trust Fund.
- h. \$5,000 In November 1984, a donation of \$5,000 was made by the St. Louis Hospital Auxiliary to the Employee Welfare Trust Fund for purchasing SLSH employees' Christmas presents. Mrs. Kelly noted that the auxiliary was established to promote the welfare of patients, so this donation appeared to be a misuse of funds.
- i. \$12,599 The vocational rehabilitation program discontinued operation of its canteen and held an inventory sale to dispose of as much as possible. The inventory was valued at \$18,491 at the time of the sale; however, proceeds were only \$5,892. The loss was caused by prices on some items being reduced in order to sell and unsold items being donated to other SLSH units and nearby Department of Mental Health facilities. Due to a lack of documentation, auditors could not determine if all inventory items were accounted for and disposed of properly.
- j. \$32,000 Due to the limited activity of the Great Rivers Mental Health Services pharmacy, the pharmacy function should be handled by St. Louis State Hospital, Mrs. Kelly said. Savings would amount to approximately \$32,000 annually, she added.
- k. \$5,418 Great Rivers Mental Health Services purchased \$5,418 of furniture for a satellite office before the office lease agreement was completed. When the office expansion plan

failed, this furniture was unneeded. Proper planning would have prevented this unnecessary expenditure, Mrs. Kelly said.

1. \$108,000 Approximately \$36,000 could be saved annually by consolidating Malcolm Bliss Mental Health Center and Bellefontaine Habilitation Center printing operations with those of St. Louis State Hospital. During the audit period, fiscal years 1983-85, \$108,000 could have been saved.
- m. \$191,000 The hospital had \$191,000 of linen, such as sheets, towels, blankets, robes, and pajamas, unaccountably lost during the three-year audit period.
33. \$87,000 Supreme Court of Missouri, two years ended June 30, 1986. Mrs. Kelly recommended the court's Office of State Courts Administrator work more closely with the Department of Social Services (DOSS) to make sure the state receives all child support reimbursements due from the federal government. Circuit court personnel provide services related to the statewide Child Support Enforcement Program which is partially funded by the federal government. Federal reimbursements for time spent on the program are made monthly through DOSS. DOSS internal audit findings revealed that in approximately 20 counties, time accounting documentation did not comply with federal guidelines. As a result, federal reimbursements of approximately \$87,000 may be lost.
- 34a. \$4,000,000 Department of Mental Health, Bellefontaine Habilitation Center and Auxiliary Funds, two years ended June 30, 1985. This amount represents the estimated value of excess land at Bellefontaine Habilitation Center. Currently, most of this land is being rented to a local farmer for \$16,750 annually.
- b. \$300,000 If 390 acres of excess land (see above) were sold and the proceeds invested, approximately \$300,000 could be realized in interest income, according to Mrs. Kelly.
- c. \$5,398,000 This amount represents lost medicaid revenues due to the decertification of 168 beds at 21 group homes during the audit period. The decertification occurred because the facility failed to meet fire protection standards.
- d. \$115,000 Monies were spent for new roofs on some buildings that had been roofed only four to five years before, although the roofs should have lasted an estimated 15 years.
- e. \$317,800 Medicaid regulations require an active treatment program in an appropriate setting. As an example, medicaid will not reimburse a facility for a client who is receiving 24-hour nursing care if the client only requires eight or 15 hours of care. At the current reimbursement rates, Bellefontaine Habilitation Center will lose approximately \$317,800 annually in reimbursements related to 14 clients

decertified by Medicaid for failure to meet this standard.

- f. \$3,600,000 Under state law, patients are supposed to be placed in the least restrictive environment. Based on a facility's list of clients eligible for community placement, the state auditor estimated \$3.6 million in treatment costs were incurred due to clients of the center not being in the least restrictive setting.
- g. \$48,000 Efforts should be made to operate the center's canteen on a self-sustaining basis rather than paying state employees to staff it. During the audit period, state employee salaries totaled approximately \$48,000.
- h. \$36,000 The facility could reduce its telephone costs by purchasing equipment instead of leasing. Leased equipment and service cost Bellefontaine more than \$171,000 over two years. A comparable system could have been purchased for \$120,000 with yearly maintenance contracts of \$7,500.
- i. \$8,200 Mrs. Kelly noted that two copy machines were purchased for separate locations but are now located side by side. Only one was needed based on the number of copies made. Proper planning could have prevented the unnecessary purchase, Mrs. Kelly said.
- j. \$14,230 Various physicians at the facility receive one hour of compensatory time for every three hours they are "on call" even if they did not actually work at the facility. One physician was paid for his compensatory time rather than receiving time off. He received \$14,230 for fiscal year 1985 as a result of being "on call."
- 35a. \$192,258 Special Review of Desegregation Payments to St. Louis City and County School Districts, year ended June 30, 1987. The court-ordered desegregation payment process requires the state to make quarterly payments to the district based on budgeted expenses. As a result, the school district held and invested state money for which the state is due interest.
- b. \$234,862 The school district purchased periodicals, books, encyclopedias and library equipment for various locations in excess of the stated needs for those locations, according to a needs evaluation the school district provided to the U.S. District Court.
- c. \$45,249 Within the intracity program, the district recorded budget transfers that were not approved by the Department of Elementary and Secondary Education, and charged expenditures against those budget transfers.
- d. \$39,584 The district incurred expenditures in excess of budgeted amounts in the intracity program and the settlement plan.

- e. \$1,011 The district charged expenditures to the settlement plan for improvement of school discipline although no budget had been approved for such expenditures. Auditor Kelly recommended budget modifications for this type of program change.
- 36a. \$3,672,480 Department of Mental Health, Kansas City Regional Center for the Developmentally Disabled and Auxiliary Funds, two years ended June 30, 1985. The regional center did not adequately plan the construction of a new residential building or renovations of existing buildings with a total estimated cost of more than \$3.6 million. Regional center officials should have performed a cost-benefit study, Mrs. Kelly said.
- b. \$530,000 Appropriations of \$530,000 were made for construction of two state-operated group homes in which the operating expenses alone will exceed expected medicaid reimbursements by approximately \$511,000 per year. No cost comparison was made to determine if the services could be provided for less money elsewhere.
- c. \$48,666 Mrs. Kelly criticized the facility for paying a management consultant \$48,666 between the spring of 1985 and September 1986 to perform many duties such as "mediation/conflict resolution" which should have been handled by the facility's own management personnel.
- d. \$63,377 This amount was spent to purchase a computer which may not be compatible with the Department of Mental Health's system, Mrs. Kelly said.
- e. \$4,359 The amount represents possible savings had a copy machine been purchased rather than leased.
- f. \$8,650 This amount represents Mental Health Trust Fund monies that were not spent properly.
37. \$21,658 Department of Mental Health, Missouri Rehabilitation Center and Auxiliary Funds, two years ended June 30, 1986. The center paid \$106,406 for various professional services during fiscal year 1986. Auditors estimated that total payments for the same professional services at the highest state merit system salaries, including fringe benefits, would have been \$84,748.
- 38a. \$390,000 Department of Mental Health, St. Louis Regional Center for the Developmentally Disabled and Auxiliary Funds, two years ended June 30, 1985. The state lost at least \$390,000 in medicaid revenues in fiscal years 1984 and 1985 due to poor billing procedures by St. Louis Regional Center. Officials at the center failed to adequately plan and train staff to implement a new revenue collection program begun by the Department of Mental Health. Under the new program, mental health centers began billing medicaid for certain services provided to outpatients. Errors made in billings and failure to

submit corrected bills to medicaid resulted in the lost revenue.

- b. \$36,000 This amount represents contract fees paid to an outside individual to perform a clerical function. Mrs. Kelly questioned the contract which paid an hourly rate of \$18.75--\$36,000 annually.
- c. \$2,694 A payment of \$2,694 for client care was made to a community placement facility although the client had moved to a state facility and payments to the placement facility should have stopped. The St. Louis Regional Center should establish procedures to ensure it is notified immediately when a client is moved, Mrs. Kelly said.
- 39a. \$3,385,444 Department of Mental Health, Fulton State Hospital and Auxiliary Funds, two years ended June 30, 1985. Fulton State Hospital lost medicaid revenues because the facility failed to meet federal health care standards. The hospital knew about its certification problems for years, but failed to take corrective action. Planning and good judgement could have prevented the losses in 1984 and 1985, when the hospital voluntarily withdrew 283 of 343 federally certified beds from the medicaid program, the state auditor noted.
- b. \$1,290,640 In January 1986, according to facility records, as many as 34 patients may have been improperly placed in the hospital, Mrs. Kelly said. They probably should have been placed in a facility for the developmentally disabled, she added. Care for these patients at Fulton State Hospital costs approximately \$1.29 million annually. Placing these patients in less restrictive environments could result in significant savings.
- c. \$22,000 Fulton State Hospital paid more than \$22,000 to a community placement facility when the placement facility was not in compliance with the community placement services master agreement.
- d. \$6,332 The hospital paid approximately \$6,332 in personal service expenditures for employees taking educational classes not relevant to their positions. Such classes included "The Roaring Twenties" and "History and Methods of Archaeology."
- e. \$10,784 Mrs. Kelly discovered that the hospital paid a neurologist \$10,784 more than necessary during the audit period. Compensation should be based on actual hours worked rather than on a per diem basis, Mrs. Kelly said.
- f. \$32,059 Rates paid to consulting physicians exceeded maximum merit system rates by \$32,059.
- g. \$33,182 Delinquent accounts totaling \$33,182 had not been certified to the Department of Revenue for collection, as of June 30, 1985.

- h. \$360,773 Fulton State Hospital had excess inventory in this amount at June 30, 1985. Examples include a 178-year supply of twin bed sheets and a 16-year supply of light bulbs.
- i. \$36,000 Lost interest income related to excess inventory (see above) was approximately \$36,000.
- j. \$159,394 The hospital paid \$159,394 more for contracted pharmacy services than it would have cost using state employees to run the pharmacy during the audit period.
- k. \$122,231 Fulton State Hospital and St. Louis State Hospital paid a forensic psychiatrist's salary and expenses of \$122,231 from July 1983 through February 1985. This amount should have been paid from a DMH-Central Office appropriation.
- l. \$130,000 During fiscal year 1984 Mrs. Kelly said Fulton State Hospital spent \$130,000 specifically allocated to bring the facility into compliance with federal health care standards, for miscellaneous expenses and equipment items including drugs, coffee, office supplies and vehicle repairs.
- m. \$8,447 This amount represents payments made by the hospital from the wrong year's appropriations.
- n. \$11,742 During fiscal years 1984 and 1985, the facility spent \$11,742 for smoking tobacco for its patients from the state General Revenue Fund. This expenditure should have been paid from the Mental Health Trust Fund.
- o. \$35,484 Patients working in the canteen were paid from the state's General Revenue Fund. Their salaries, totaling \$35,484 during the audit period, should have been paid from the canteen fund.
- p. \$100,775 Improper disbursements from the canteen fund amounted to \$100,775 during the two years ended June 30, 1985. The disbursements included \$35,165 paid for expenditures that should have been paid from the Mental Health Trust Fund and \$65,610 transferred to the Patient's Trust Fund that should have been transferred to the Mental Health Trust Fund.
- q. \$5,172 Mrs. Kelly noted that \$5,172 designated to be used for patient welfare was used for employee benefits.
- 40a. \$56,878 Department of Mental Health, Farmington State Hospital, three years ended June 30, 1986. Mrs. Kelly found \$49,459 in medicare reimbursements due to the hospital which had not been received. In addition, the state lost approximately \$7,419 by not having the amount to invest.
- b. \$956,300 The hospital lost potential medicare and medicaid reimbursement revenues because of failures to meet federal health care standards. Some of the deficiencies

had been reported as early as April 1977. Mrs. Kelly recommended officials place high priority on obtaining and allocating staff, upgrading medical records and implementing all necessary procedures to meet federal reimbursement standards.

- c. \$24,950 Mrs. Kelly noted that Farmington State Hospital improperly spent \$24,950 from patient and canteen funds that should have been transferred to the Mental Health Trust Fund during the audit period.
- d. \$1,020 The hospital split purchase orders and paid amounts from different funds totaling \$1,020 to avoid compliance with local purchase order regulations prescribed by the state Division of Purchasing.
- e. \$109,824 This amount represents additional annual labor costs for physicians paid for being "on call." Physicians earn compensatory time in addition to their normal 40-hour work week for being on call, even if no additional hours are actually worked.
- f. \$119,712 The Department of Mental Health's central office apparently circumvented the legislative appropriation process by paying a \$119,712 bill from Farmington State Hospital's fiscal year 1984 expense and equipment money. Farmington's money was apparently used because it was available, even though the expenditure benefited all mental health facilities, Mrs. Kelly said.
- g. \$3,597 Farmington State Hospital spent \$3,597 in July 1983 for geriatric chairs that were still not in use at the end of audit fieldwork.
- h. \$81,896 Alcohol and Drug Abuse (ADA) allocations used by the facility to cover expense and equipment expenditures attributable to its ADA unit exceeded estimated expenditures by \$81,896 during the audit period.
- i. \$1,206,227 During the three years ended June 30, 1986, the hospital expended more than \$1.2 million in capital improvements despite the uncertainty surrounding their future usefulness. Noting that plans have been made to convert the state hospital into a medium security prison, the state auditor said some of the questioned improvements, such as \$72,165 spent on repairs to parking areas and sidewalks, may become useless if the conversion occurs.
- 41. \$35,546 Sixth Judicial Circuit, Platte County, two years ended December 31, 1985. The state auditor recommended the circuit clerk disburse \$35,546 of accumulated interest to the county's General Revenue Fund periodically unless it is used for allowable expenditures.
- 42a. \$254,507 Department of Mental Health, Poplar Bluff Regional Center for the Developmentally Disabled, two years ended June 30, 1986. The facility lost \$254,507 in net federal

medicaid reimbursements because federal health care standards were not met.

- b. \$1,537,103 The facility could have saved \$1,537,103 by purchasing its group homes outright rather than purchasing through a lease-purchase arrangement, Auditor Kelly said.
- c. \$187,000 The state auditor noted that the number of direct-care employees being used by the regional center in the group homes exceeded Federal Health Care Financing Administration staffing requirements, resulting in an estimated unnecessary salary expense of at least \$187,000 per year.
- d. \$2,329 Mrs. Kelly said that \$2,329 of donations to the canteen fund were received by the regional center. These amounts should have been placed in the Mental Health Trust Fund.
- 43. \$2,900 Department of Mental Health, Kirksville Regional Center for the Developmentally Disabled and Auxiliary Funds, two years ended June 30, 1986. Kirksville Regional Center's director and assistant director's involvement in a non-profit organization resulted in questionable expenditures and a possible donation of state funds during the audit period. The state's subsidy of \$2,900 in personal services and travel expenses for the two administrators' work on the non-profit board may violate the Missouri Constitution, the state auditor said.
- 44. \$8,907 Seventeenth Judicial Circuit, Cass County, two years ended December 31, 1986. The circuit clerk purchased a copy machine and a typewriter for a total of \$8,907 without documentation of bids required by law.
- 45a. \$654,063 Department of Mental Health, St. Joseph State Hospital and Auxiliary Funds, two years ended June 30, 1986. During 1985 and 1986, the facility lost \$220,298 in potential net federal reimbursements by maintaining eligible medicare/medicaid patients in beds that did not meet federal health care standards. In addition, Mrs. Kelly noted up to \$194,850 in potential net medicaid revenues may have been lost when patients under 21 years of age who were not eligible for medicaid reimbursements were maintained at the hospital. Another \$238,915 in net medicaid reimbursements may have been lost in fiscal year 1986 due to outpatient clinic personnel not actively assisting patients in applying for medicaid assistance, she added.
- b. \$53,335 The state auditor identified potential savings of approximately \$53,335 in fiscal year 1986 that would have been realized had the hospital contracted out its outpatient services rather than providing the services in house.
- c. \$28,629 This amount represents payments made to a local radiologist which were not in accordance with contract

provisions. The payments were made between September 1, 1985, and November 30, 1986.

- d. \$19,995 In fiscal year 1986, an appropriation of \$19,995 for comprehensive psychiatric services was spent on sheltered workshop equipment purchases.
- e. \$181,048 Mrs. Kelly identified savings of \$163,661 and \$17,387 had the facility paid cash for a new telephone system and computer equipment rather than purchasing these items through lease-purchase agreements. She also noted that no cost-benefit studies were performed before the purchases were made.
- f. \$215,000 Mrs. Kelly recommended that officials cease additional capital expenditures until appropriate long-range planning has been done. The facility was requesting and obtaining money to renovate buildings a little at a time, without proper planning. For example, in 1985 the hospital spent \$215,000 to renovate six restrooms in one building which they are planning to demolish.
- g. \$89,856 St. Joseph State Hospital incurred additional annual labor costs of approximately \$89,856 during fiscal year 1986 from compensating physicians for being "on call."
- h. \$489 Weaknesses in the agency's payroll and timekeeping procedures allowed a \$489 overpayment to one employee to remain undetected until the state auditor questioned it.
- i. \$152 This amount represents 1986 payroll expenditures improperly paid from 1987 appropriations.
- j. \$85,000 Mrs. Kelly said that the hospital appears to have incurred questionable annual expenditures of approximately \$85,000 resulting from payments to 24 employees performing time-keeping functions. Based on time spent on these duties, approximately four employees would have been sufficient, Mrs. Kelly said.
- k. \$5,769 St. Joseph State Hospital provided \$5,769 in services to individuals not admitted to the hospital, and therefore not billed, during fiscal year 1986.
- l. \$62,897 The hospital failed to certify \$62,897 of delinquent accounts to the Department of Revenue for collection on a timely basis.
- m. \$42,205 Mrs. Kelly identified excessive patient personal cash account balances of \$42,205 as of Aug. 31, 1986. Any account in excess of \$750 should be applied toward the patient's cost of care, according to departmental policy.
- n. \$21,034 This amount represents canteen fund expenditures paid directly to patients rather than to the Mental Health Trust Fund.

- o. \$22,470 The state auditor recommended the hospital stop sponsoring social activities for sheltered workshop clients. The hospital spent \$22,470 for these expenditures during the audit period in violation of state law. Such expenditures should be paid from the Mental Health Trust Fund, Mrs. Kelly said.
- p. \$28,715 Mrs. Kelly noted that the cost of meals provided to employees exceeded the amounts charged by \$28,715 in 1985 and 1986.
- q. \$102,750 This amount represents excessive general supplies inventory as of June 30, 1986.
- r. \$8,916 This amount represents unused medical equipment as of June 30, 1986.
- s. \$242,396 Woodson Children's Psychiatric Hospital, St. Joseph State Hospital's youth center, lost approximately \$242,396 in net medicaid reimbursements from failure to obtain medicaid approval for eligibility on 39 of its patients.
- t. \$15,755 Woodson Children's Psychiatric Hospital spent or encumbered \$15,755 for data processing expense and equipment not budgeted during the period July 1, 1986, through November 30, 1986.
- 46a. \$5,694,394 Department of Economic Development, Division of Manpower Planning (DMP), three years ended June 30, 1985. Contracts of \$5,645,746 were not competitively bid, in violation of federal and state regulations. Test work revealed 50 ineligible participants at a cost of \$44,150. The remaining \$4,498 was questioned because of an inequitable distribution of costs.
- b. \$47,769 The DMP paid \$1,860 annually to rent warehouses to store unused equipment with a total cost of \$45,909 as of June 30, 1985.
- c. \$36,243 The state auditor noted that DMP could have saved \$36,243 had it contracted directly with a service provider and eliminated unnecessary subcontracting.
- d. \$1,822,146 The DMP misled the General Assembly by requesting and spending a total of \$2.8 million from the state's general operating funds during the audit period. While the division told the General Assembly the funds were needed to match federal funds under the Job Training Partnership Act Title III program, the required amount of state funds was less than \$1 million. The difference of \$1.8 million represents state funds that did not have to be expended, Mrs. Kelly said.
- e. \$1,950,000 Based on a statistical sample of participants under the Job Training Partnership Act Title III Dislocated Worker Program, the state auditor projected DMP paid between \$1.7 million and \$2.2 million to a contractor for serving individuals who were not eligible.

47. \$3,245 Fifth Judicial Circuit, Buchanan County, two years ended December 31, 1986. Mrs. Kelly noted that funds in the circuit court checking account could have earned \$3,245 in interest had they been invested in an interest-bearing account during the audit period.
- 48a. \$2,000 Department of Agriculture, Missouri State Fair, three years ended June 30, 1986. The fair entered into off-season rental contracts totaling approximately \$2,000. Although the renters received the benefits of the contracts, attempts to collect the money were unsuccessful during the audit period.
- b. \$2,675 The state auditor noted that more than \$2,675 in revenues from admissions was unaccountably lost during the audit period. She recommended that State Fair officials perform surprise cash counts at admission gates, require cashiers to turn in cash tally sheets at the end of each shift, and consider using video cameras to monitor cashiers from the revenue office.
- c. \$54,580 The fair spent approximately \$19,905, \$16,450, \$18,225 for purchases of fuel in fiscal years 1986, 1985, and 1984, respectively. Bids were not solicited for these purchases and all bulk purchases were made from the same vendor.
- 49a. \$32,000,000 Department of Social Services, Division of Medical Services, four years ended June 30, 1985. The Department of Social Services improperly borrowed \$32 million from the state's General Revenue Fund to pay part of the federal share of medicaid assistance payments. The department did not return federal rebates to the General Revenue Fund on a timely basis and did not pay the General Revenue Fund amounts received from the federal government for services provided to medicaid recipients by the Department of Mental Health, on a timely basis.
- b. \$4,800,000 Mrs. Kelly estimated the Division of Medical Services could have saved \$4.8 million in 1984 and 1985 had it limited medicaid payments on drug claims to the lowest cost allowable under medicaid regulations.
50. \$39,946 Office of Administration, State Agency for Surplus Property (SASP), two years ended June 30, 1986. Mrs. Kelly questioned costs totaling \$39,946 incurred during the audit period. The majority of the costs were related to personal services of Office of Administration (OA) employees who provide accounting services to SASP. OA employees did not prepare time sheets to indicate how many hours they worked for SASP. Although several employees actually provided the services, SASP simply paid the salary of one OA employee each year, Mrs. Kelly said.

- 51a. \$8,530 Department of Mental Health, Nevada State Hospital and Auxiliary Fund, three years ended June 30, 1986. Mrs. Kelly discovered excessive rates of \$8,530 paid on two professional contracts.
- b. \$122,272 Physicians "on call" were paid \$122,272 during the audit period. The state auditor classified the payments as unnecessary estimated labor costs.
- c. \$8,460 The Nevada State Hospital did not certify a delinquent account in this amount to the Department of Revenue for collection.
- 52a. \$496,400 Department of Mental Health, Nevada Habilitation Center and Auxiliary Funds, three years ended June 30, 1986. Mrs. Kelly said that Nevada Habilitation Center unnecessarily lost approximately \$496,400 annually in net medicaid reimbursements for failure to maintain clients in the least restrictive environment as determined by a Medicaid survey team.
- b. \$635,000 The center lost approximately \$635,000 for the seven-year period, 1980 through 1986, by not contracting out its food service operation, Auditor Kelly said.
- c. \$302,179 At June 30, 1986, Nevada Habilitation Center had \$302,179 in excessive inventories.
- d. \$30,218 Had the monies from the excess inventories (see above) been invested, the state could have realized \$30,218 in interest income, Mrs. Kelly said.
- e. \$6,232 The facility entered into professional and consulting contracts at rates higher than state merit system rates. Excessive amounts totaled \$6,232 for the year ended June 30, 1986.
- f. \$558,000 Mrs. Kelly noted that Nevada Habilitation Center has excessive land valued at \$558,000 which should have been transferred to another state agency or sold.
- g. \$55,800 The state lost this amount by not investing the amount in item f (above).
- h. \$71,644 The center incurred unnecessary estimated additional labor costs of \$71,644 during the audit period as a result of paying physicians for being "on call."
- i. \$37,127 Nevada Habilitation Center paid two radiology specialists a flat rate per month rather than on a per hour basis, resulting in excess compensation of \$37,127 during the audit period.
- j. \$168,301 This amount represents the total during fiscal year 1985 by which the facility overspent line-item budgeting.

- k. \$4,399 The facility incurred obligations totaling \$4,399 in fiscal year 1984 which were paid from fiscal year 1985 appropriations.
- l. \$7,000 The center purchased approximately \$7,000 worth of tobacco products for clients from the state's General Revenue Fund. The monies should have been spent from the Mental Health Trust Fund, Mrs. Kelly said.

Grand Total \$131,656,943

Audit Savings and Misuse Report
Counties and Petition Audits Delivered in Calendar Year 1987

Items not bid	\$1,475,717
Expenditures not in accordance with laws	3,999,262
Amounts due to other political subdivisions	1,120,514
Amounts not in proper fund	926,172
Excessive property taxes collected	918,994
Amounts due from other political subdivisions	21,484
Improper collectors' commissions and salary	
overpayments to other officials	274,097
Failure to recover costs	79,734
Interest income that should have been earned	
or made available	73,581
Miscellaneous other categories	<u>361,093</u>
Grand Total	<u><u>\$9,250,648</u></u>

Other Significant Audit Findings

Not all significant findings and recommendations contained in the state auditor's reports are measurable in terms of dollar impact. The following is a summary of other major findings:

Mrs. Kelly found that the **Division of Aging** may have endangered the health and safety of elderly Missourians by its delays in responding to reports and regulating nursing homes. The problems were discovered in an audit covering 1982 through 1985.

Sixty-three percent of the reports about adult abuse or neglect, where the institutionalized individuals were considered to be in imminent danger, were not followed up with a visit within 24 hours. Eighteen percent were not visited until 20-30 days after the report.

In addition, the agency seemed reluctant to use its statutory authority to deny or revoke nursing home licenses. One facility had 29 complaints against it in ten months. Although sufficient violations existed to close it in December 1983, it was not closed until August 1984.

Severely inadequate conditions at the **Missouri State Penitentiary** hospital in Jefferson City were noted for fiscal years 1985 and 1986. The prison hospital violated national health care standards for correctional facilities with detestable sanitary standards, a physical therapy department run entirely by inmates, substandard health care records, poor drug controls and situations where professionals who had never examined inmate patients prescribed treatments over the phone.

Prison officials should consider contracting privately for health care services, enforce strict operating standards and establish plans to implement recommendations made by an independent hospital review team in 1985, the state auditor said.

Mrs. Kelly found that the **Department of Health** accepted inspections of hospitals by the Joint Commission on the Accreditation of Hospitals and the American Osteopathic Association with no documentation. State law allows the department to delegate its inspection authority; however, the department was issuing licenses without knowing if hospitals met the requirements of state law.

The state does not inspect 55 of the state's accredited hospitals and only looks at components of the 66 other hospitals. The department does inspect 37 other nonaccredited hospitals.

In another health-related matter, the state auditor said the **Board of Healing Arts** needs a more effective system to identify unlicensed practitioners, instead of depending only on formal complaints. Checking advertisements in the telephone book against current license files would be one method of investigation. During the audit, three unlicensed doctors and one unlicensed physical therapist were found in such an audit test. The board should take a more aggressive approach, for example, following up on any telephone inquiries about licenses by maintaining a phone log and investigating when warranted.

The **State Board of Optometry** apparently violated the state's open meetings law by discussing matters in private sessions that should have been discussed publicly. Written minutes of the meetings showed discussions of exam failure rates and scheduling of a business meeting. Only personnel, litigation and lease or purchase of real estate should be discussed in closed meetings.

In an audit of the **State Milk Board** for fiscal year 1986, State Auditor Margaret Kelly discovered that the state is in vital need of a bacteria and pesticide contamination testing program for manufactured milk and related products. During the audit period, the board did not test for pesticide contamination in raw manufacturing milk or finished products like cheese and butter. Some milk products containing the cancer-causing pesticide heptachlor were consumed by residents of southwest Missouri and northwest Arkansas in 1985 and 1986. The auditor recommended the board establish a testing program to prevent further incidents.

In an audit of the **Department of Economic Development**, Auditor Kelly found a serious backlog problem in the unclaimed property section which is responsible for collecting, recording and securing unclaimed or abandoned funds and property belonging to Missouri citizens. Recording of owner information had been delayed for more than one year on a substantial amount of unclaimed property. An examination of computerized account balances showed that the majority of owner files were incorrect due to the balances not reflecting claims already paid or amounts withheld by banks, financial institutions, insurance companies or other holders to cover costs associated with reporting and handling unclaimed property.

Mrs. Kelly's audit of the **Public Defender Commission** recommended improved cost recovery methods to help the state receive all the money it should from past defendants who owe and are able to pay for services they received. She recommended the commission consider requiring repayment of costs as a condition of probation.

The year 1987 brought continued concerns about the way the **Department of Mental Health** spends public funds, particularly in its capital improvements projects around the state. Mental health officials request millions of dollars from the legislature for new facilities without cost-benefit studies, Mrs. Kelly said.

The state auditor's office also reviews state agency data processing systems as part of the regular audit process. Serious weaknesses in data security and program change controls were found in the **Department of Revenue's Division of Information Systems** which processes confidential tax information for the state, and in the **Department of Social Services' Division of Data Processing**. The state auditor also noted that the Department of Social Services' ability to provide its many services would be seriously impaired in the event of a disabling disaster at the computer center because a formal disaster recovery plan has not been established.

In the 1987 county aggregate report for Missouri's 94 **third- and fourth-class counties**, Mrs. Kelly found that a majority of counties are in an unstable position and the number of counties considered financially unstable is increasing each year. Even some counties that have enacted a countywide sales tax, providing a new source of revenue, are facing financial difficulties. The state auditor recommended each county search for alternative revenue sources and control discretionary expenditures as the counties attempt to maintain a sound financial position.

STATE AUDITOR'S OFFICE
PERSONNEL, DECEMBER 31, 1987

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State Auditor

Aldridge, Helen F. (CPA)
Audit Manager

Allen, Teresa
Word Processor Operator

Alt, Andrea Kay
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Arnold, Holly S.
Secretary

Backes, Bertha
Audit Assistant

Bayne, Noel
Audit Manager

Beutler, Sandra (CPA)
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Birdno, John (CPA)
Audit Manager

Blankenship, Alan (CPA)
Semi-Senior Auditor

Blattel, John (CPA)
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Exec. Assistant to State Auditor

Broeker, Roberta L. (CPA)
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Bross, Brad (CPA Designate)
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Bryant, Lori
Audit Assistant

Buerky, Judy
Local Government Analyst

Cardenas, Katherine (CPA Designate)
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Cartee, Darrell (CPA Designate)
Audit Assistant

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Coon, Laura
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Cowles, Crystal (CPA)
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Audit Assistant

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Floyd, Kimberly
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Frick, Karen
Semi-Senior Auditor

Froman, Phan
Clerk - Typist

Fry, Birdell
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Audit Manager

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Senior Auditor

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Schrimpf, Helen
Custodian

Sergent, Kelly
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Wills, Rebecca (CPA)
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Wilson, Jeannette (CPA)
Senior Auditor

Wood, Larry
Equipment - Facility Supervisor

Woods, Debbie M.
Fiscal Officer

Yarnell, Susie
Word Processor Operator

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OCT 11 1988

FOR IMMEDIATE RELEASE

DATE: Sept. 27, 1988

SUMMARY: Kelly reports \$93 million
in potential savings, \$38 million
misused or improperly spent in
audits issued during 1987

CONTACT: Mary Jenkins
Public Affairs Officer
314/751-5313

JEFFERSON CITY--State Auditor Margaret Kelly reported \$93 million in potential savings and \$38 million in wasted or improperly spent money in 138 audits issued by her office in 1987.

Potential savings were classified as money that should have been saved, earned or available for use, she said. Improperly spent money includes expenditures that were not in compliance with state or federal guidelines.

For example, Mrs. Kelly cited \$1.5 million the state could have saved if a Department of Mental Health facility, the Poplar Bluff Regional Center for the Developmentally Disabled, had purchased some group homes outright rather than acquiring them through a lease-purchase agreement.

Another \$4 million could have been saved if the Department of Mental Health's Bellefontaine Habilitation Center in St. Louis had disposed of excess land valued at that amount and rented for \$16,750 annually, Mrs. Kelly said.

As an example of money wasted or misused, Mrs. Kelly cited the Laurel Haven facility in St. Louis, purchased as a youth home by the Department of Social Services in 1983 and never used. The \$750,000 facility was once suspected to be a dioxin site.

The state auditor called Laurel Haven "a substantial investment by the state that has simply gone to waste."

(more)

Other examples of monies misused included \$3.4 million in principal illegally invested in mutual funds by the 21st Judicial Circuit, city of St. Louis, and \$60,000 in excessive remodeling expenses incurred by the Missouri State Employees Retirement System, including \$25,000 spent for a conference table and chairs.

"We have many significant audit findings and recommendations that can't be assigned a dollar value," Mrs. Kelly said. "For example, in 1987 we issued reports on the Division of Aging, Missouri State Penitentiary, the Department of Health, Board of Healing Arts and State Milk Board with recommendations that could have a significant impact on the health and quality of life for Missourians.

"In cases where dollar values could be assigned, we have done so in order to give the public and government officials an idea of potential savings represented by the audit recommendations and findings," she added.

In addition to a savings and misuse report on state agency audits, the annual report for 1987 contains similar figures for county and petition audits, an organizational chart, a description of the duties of the State Auditor's Office and a personnel list as of Dec. 31, 1987.

Copies of the report are available from the State Auditor's Office, P.O. Box 869, Jefferson City, Missouri, 65102, 314/751-5313.

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